

**NEW ORLEANS BUILDING CORPORATION**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-27-05

**New Orleans Building Corporation**

**Table of Contents**

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	<b><u>Page</u></b>
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis.....	3-5
Statement of Net Assets Proprietary Funds – December 31, 2004.....	6
Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds For The Year Ended December 31, 2004.....	7
Statement of Cash Flows Proprietary Funds For The Year Ended December 31, 2004.....	8-9
Notes To The Financial Statements:	
Index.....	10
Notes.....	11-14
Supplementary Information:	
Schedule 1- Statement of Revenues, Expenses and Changes in Fund Balances – Budget and Actual General Fund For The Year Ended December 31, 2004.....	15



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### Independent Auditor's Report

To the Board of Directors  
of New Orleans Building Corporation  
New Orleans, Louisiana

We have audited the fund financial statements of New Orleans Building Corporation, as of and for the year ended December 31, 2004 as listed in the table of contents. The fund financial statements are the responsibility of New Orleans Building Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the fund financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of New Orleans Building Corporation as of December 31, 2004, and the changes in financial position of those activities and fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2005, on our consideration of New Orleans Building Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the fund financial statements of New Orleans Building Corporation taken as a whole. The supplementary information shown at page 15 is presented for purposes of additional analysis and is not a required part of the financial statements of New Orleans Building Corporation. Such information has been subjected to the auditing procedures applied in the audit of the fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the fund financial statements taken as a whole.



Curtis A. Moret  
Certified Public Accountant  
June 11, 2005



**New Orleans Building Corporation (NOBC)**  
**Management's Discussion and Analysis**

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Introduction to Financial Statements

The NOBC is considered a governmental not-for-profit entity. Under GASB 34, the NOBC is permitted to report its activities as a special-purpose government engagement engaged only in business type activities. Therefore, the NOBC's financial statements consists of those required for enterprise funds.

Enterprise funds are used by governmental entities to report the same functions as business-type activities in the private sector. The financial reporting required for enterprises funds are: statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows. These statements, presented on pages 6 through 9, show the results of operations and financial position using the total economic resources measurement focus and the accrual basis of accounting, which emphasize the long-term financial picture and are very similar to the financial statements of private-sector for-profit enterprises.

Comparative Financial Statements

The following chart provides condensed information from the statement of net assets for 2004 and 2003.

Statement of Net Assets Comparative Data

	2004	2003
Current and Other Assets	\$ 8,397,370	9,193,868
Capital Assets, Net	6,367,853	5,942,365
Total Assets	14,765,223	15,136,233
Long Term Liabilities	944,119	914,188
Other Liabilities	249,083	284,133
Total Liabilities	1,193,202	1,198,321
Net Assets:		
Invested in Capital Assets	6,367,853	5,942,365
Restricted	6,924,450	7,352,028
Unrestricted	279,718	643,519
Total Net Assets	\$13,572,021	13,937,912

The largest portion of the NOBC's net assets (98%) at December 31, 2004 consists of its investments in capital assets (Land, Building, Equipment & Improvements) and restricted cash and other assets relating to its operation of the New Orleans Union Passenger Terminal (NOUPT) (see Note 1 at Page 11). Overall, the NOBC's net assets decreased by (\$365,892) from the previous year.

**New Orleans Building Corporation (NOBC)**  
**Management's Discussion and Analysis**

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Statement of Net Assets Comparative Data, continued

The following chart provides condensed information from the statement of revenues, expenses and changes in net assets for 2004 and 2003:

Statement of Revenues, Expenses and Changes in Net Assets Comparative Data

	2004	2003
Revenues:		
Program	\$ 2,183,392	\$ 1,538,806
General	323,672	547,868
Total Revenues	2,507,064	2,086,674
Expenses:		
NOUPT	2,666,836	2,120,739
Lincoln Beach	78,094	9,267
Administration	128,026	229,241
Total Expenses	2,872,956	2,359,247
Change in Net Assets	(365,892)	(272,573)
Net Assets – January 1	13,937,913	14,210,486
Net Assets – December 31	\$13,572,021	\$13,937,913

Total revenues increased from the previous year by \$420,390. Program revenues had a 41% increase, which was primarily due to increased rent and related charges to tenants located at New Orleans Union Passenger Terminal. General revenues had a 41% decrease that resulted from certain net nonrecurring receipts. Total expenses increased from the previous year by \$513,709. The major components of this increase are as follows:

- Contractual expenses decreased by \$73,981 due primarily to a decrease in spending for professional services at the NOUPT.
- Repairs and maintenance costs increased by \$253,494. This increase is due to on going repairs at the NOUPT facility. The facility is very old and in need of substantial repairs and improvements.
- Environmental clean-up expenses increased by \$188,572. As stated above, the facility is very old and needs substantial work in order to meet environmental quality guidelines.
- Insurance expense increased by \$120,155. This increase is due to increased liability insurance premiums relating to the NOUPT.

**New Orleans Building Corporation (NOBC)**  
**Management's Discussion and Analysis**

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Budgetary Analysis

The NOBC's 2004 budget reported on page 15 reflects an overall unfavorable variance of \$70,284. The NOBC anticipated substantial activity with respect to rental projects that did not materialize in 2004. The net rental income budgeted for 2004 was \$179,977. However, this loss was offset by a favorable non-rental variance of \$109,693.

Capital Assets

The NOBC's reported capital assets at 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Land	\$2,946,586	2,946,586
Building & Equipment	2,914,329	2,967,859
Building Improvements	<u>491,230</u>	<u>5,577</u>
Totals	<u>6,352,145</u>	<u>5,920,022</u>

The NOBC's capital assets presented above are net of accumulated depreciation. Total net capital assets increased by \$432,123 from the prior year. The NOBC spent \$492,587 on major renovations at the NOUPT facility.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF NET ASSETS PROPRIETARY FUNDS**  
**DECEMBER 31, 2004**

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 33,564	\$ 93,589	\$ 25,774	\$ 152,927
Receivables, Net	280,445	77,443	14,656	372,544
Prepaid Insurance	56,883	-	-	56,883
Total Current Assets	370,892	171,032	40,430	582,354
Noncurrent assets:				
Restricted Cash and Cash Equivalents	4,643,073	-	-	4,643,073
Prepaid Environmental Insurance	2,281,377	-	-	2,281,377
Developmental Costs	2,054	-	888,512	890,566
Capital Assets:				
Land	2,946,586	-	-	2,946,586
Building & Equipment	19,056,612	-	44,881	19,101,493
Building Improvements	498,164	-	-	498,164
Less Accumulated Depreciation	(16,149,217)	-	(29,173)	(16,178,390)
Total Noncurrent Assets	13,278,649	-	904,220	14,182,869
Total Assets	13,649,541	171,032	944,650	14,765,223
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	-	-	118,326	118,326
Accrued Liabilities	130,757	-	-	130,757
Total Current Liabilities	130,757	-	118,326	249,083
Noncurrent Liabilities:				
Developmental Costs Payable	-	-	803,485	803,485
Accounts Payable	140,634	-	-	140,634
Total Noncurrent Liabilities	140,634	-	803,485	944,119
Total Liabilities	271,391	-	921,811	1,193,202
<b>NET ASSETS</b>				
Invested in Capital Assets	6,352,145	-	15,708	6,367,853
Restricted	6,924,450	-	-	6,924,450
Unrestricted	101,555	171,032	7,131	279,718
Total Net Assets	\$ 13,378,150	\$ 171,032	\$ 22,839	\$ 13,572,021

The accompanying notes are an integral part of the financial statements.



**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
<b>OPERATING REVENUES</b>				
Changes for Services	\$ -	\$ 97,116	\$ 30,208	\$ 127,324
Rent-Tenants	2,056,068	-	-	2,056,068
Miscellaneous	169,811	116,667	25,830	312,308
Total Operating Revenues	2,225,879	213,783	56,038	2,495,700
<b>OPERATING EXPENSES</b>				
Contractual Services	793,180	27,844	110,141	931,165
Repairs & Maintenance	493,853	44,900	452	539,205
Commission	24,500	-	-	24,500
Insurance	638,958	-	-	638,958
Utilities	257,114	-	-	257,114
Revenue Sharing	84,649	-	-	84,649
Office Supplies and Expenses	32,040	5,350	10,798	48,188
Environmental Clean-up	239,200	-	-	239,200
Depreciation	60,464	-	6,635	67,099
Retirement Benefits	42,878	-	-	42,878
Total Operating Expenses	2,666,836	78,094	128,026	2,872,956
Operating Income (Loss)	(440,957)	135,689	(71,988)	(377,256)
<b>NONOPERATIONAL REVENUES</b>				
Net Investment Income	9,660	-	1,704	11,364
Change in Net Assets	(431,297)	135,689	(70,284)	(365,892)
Total Net Assets - Beginning	13,809,447	35,343	93,123	13,937,913
Total Net Assets - Ending	\$ 13,378,150	\$ 171,032	\$ 22,839	\$ 13,572,021

The accompanying notes are an integral part of the financial statements.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF CASH FLOWS PROPRIETARY FUNDS**  
**FOR THE YEAR END DECEMBER 31, 2004**

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ -	\$ 54,674	\$ 6,501	\$ 61,175
Rents Received	1,847,433	-	-	1,847,433
Payments to Suppliers	(2,156,277)	(78,094)	(113,341)	(2,347,712)
Other Receipts (Payments)	85,162	116,667	19,507	221,336
Net Cash Provided (Used) by Operating Activities	(223,682)	93,247	(87,333)	(217,768)
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>				
Purchase of Capital Assets	(492,587)	-	-	(492,587)
Capital Expenditure	-	-	(2,934)	(2,934)
Net Cash Used by Capital Activates	(492,587)	-	(2,934)	(495,521)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	9,660	-	1,704	11,364
Net Cash Provided by Financing Activities	9,660	-	1,704	11,364
Net Increase (Decrease) in Cash and Cash Equivalents	(706,609)	93,247	(88,563)	(701,925)
Cash - Beginning of Year	5,383,246	342	114,337	5,497,925
Cash - End of Year	4,676,637	93,589	25,774	4,796,000
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	(440,957)	135,689	(71,988)	(377,256)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	60,464	-	6,635	67,099
				-
				-
				-

The accompanying notes are an integral part of the financial statements.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF CASH FLOWS PROPRIETARY FUNDS**  
**FOR THE YEAR END DECEMBER 31, 2004**

	Enterprise Funds			
	New Orleans Union Passenger Terminal	Lincoln Beach Restoration	General Administration	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES, CONTINUED:</b>				
Change in Assets and Liabilities:				
Receivables	(195,734)	(42,442)	(14,405)	(252,581)
Prepaid Expenses	380,020	-	-	380,020
Deferred Revenue	(12,901)	-	(15,625)	(28,526)
Accounts Payable	(145,331)	-	(25,387)	(170,718)
Accrued Expenses	130,757	-	33,437	164,194
Net Cash Provided (Used) by Operating Activities	<u>(223,682)</u>	<u>93,247</u>	<u>(87,333)</u>	<u>(217,768)</u>

The accompanying notes are an integral part of the financial statements.

**New Orleans Building Corporation**  
**Notes to Financial Statements**

**Index**

	PAGE
NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:	
Background.....	11
The Financial Reporting Entity.....	11-12
Basic Financial Statements – Fund Financial Statements.....	12
Basis of Accounting.....	12
Use of Estimates.....	13
Prepaid Expenses.....	13
NOTE 2- CASH AND CASH EQUIVALENTS.....	13
NOTE 3- CAPITAL ASSETS.....	13-14
NOTE 4- OPERATING LEASES.....	14

**New Orleans Building Corporation**  
Notes to the Financial Statements

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**Note 1- Summary of Significant Accounting Policies:**

**Background**

The New Orleans Building Corporation (NOBC) is a non-profit, public benefit corporation, incorporated in the state of Louisiana on May 4, 2000. The Corporation was formed for the purpose of owning, leasing, developing and operating properties owned by the City of New Orleans or by the Corporation. These purposes include, but are not limited to planning, renovating, constructing, leasing, subleasing, managing and promoting such properties, which activity is declared to constitute a public purpose.

On May 25, 2002, the New Orleans Building Corporation assumed control of the New Orleans Union Passenger Terminal (NOUPT) located in downtown New Orleans. The NOUPT was created by the State of Louisiana to enable the City of New Orleans to form a unique partnership with private railroads to finance, build and operate the facility. The City acquired the sixty-acre downtown site and transferred use of it to the NOUPT until 2004 with an option to extend for another 50 years. With this arrangement in place, the railroads provided revenue bond financing for construction of a \$21-million terminal and support facility on the downtown site. The NOUPT began service in 1954, consolidating 30 weekly train arrivals and departures at five, widely scattered stations into the new downtown terminal. The City also granted the NOUPT the use of six miles of grade separated right-of way created by city, state, federal and private railroad funding, in excess of \$19 million, to eliminate time consuming and hazardous grade-crossings over the tracks servicing the NOUPT. In 1977, the City and private railroads transferred passenger rail operating responsibility of the NOUPT to the National Railroad Passenger Corporation-Amtrak. The City continued other aspects of its partnership agreement with the private railroads constituting the NOUPT prior to Amtrak's assumption of national passenger service from these railroads in the 1970's. The result was a unique governing body for the NOUPT constituting of a committee composed of representatives of the City, Public Belt Railroad Commission, Amtrak and several railroads.

The accounting policies of the NOBC conform to accounting principles generally accepted in the United States of America, as applicable to governmental agencies. The following is a summary of the more significant accounting policies:

**The Financial Reporting Entity**

Governmental Accounting Standard's Board Statement No. 14, The Financial Reporting Entity, (GASB 14) established standards for defining and reporting

**New Orleans Building Corporation**  
Notes to the Financial Statements

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**Note 1- Summary of Significant Accounting Policies, continued:**

The Financial Reporting Entity, continued

on the financial entity. Accordingly, management has concluded that the NOBC is the financial reporting entity within the meaning of the provisions of GASB 14.

Basic Financial Statements – Fund Financial Statements

The financial statements of the NOBC are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenses. All of the activities of the NOBC are reported as proprietary funds.

The focus of proprietary fund measurement is upon determination of operating income, change in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the NOBC.:

- a. Enterprise funds are required to be used to account for operating for which a fee is charged to external users for goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focal applied.

The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**New Orleans Building Corporation**  
Notes to the Financial Statements

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**Note 1- Summary of Significant Accounting Policies, continued:**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**Note 2- Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand deposit accounts as well as short-term cash investments with maturities of three months or less.

Restricted cash and cash equivalents presented in the Statement of Net Assets is restricted solely for the use of environmental clean-up and related facility maintenance at the New Orleans Union Passenger Terminal located in downtown New Orleans. These funds were placed in trust when the NOBC assumed control of the facility on May 22, 2002.

**Note 3- Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 Years
Building Improvements	20-40 Years
Equipment	7-10 Years

The following is a summary of capital assets for the year ended December 31, 2004:

**New Orleans Building Corporation**  
Notes to the Financial Statements

**Note 3- Capital Assets, continued**

	Balance January 1, 2004	<u>Additions</u>	<u>Changes</u>	Balance December 31, 2004
Land	\$2,946,586	-	-	\$2,946,586
Building & Equipment	19,046,612	-	-	19,046,612
Building Improvements	5,577	492,587	-	498,164
Office Equipment	10,000	-	-	10,000
Sub-total	22,008,775	492,587	-	22,501,362
Less Accumulated Depreciation	(16,088,753)	(60,464)	-	(16,149,217)
Net	<u>\$ 5,920,022</u>	<u>432,123</u>	<u>-</u>	<u>\$6,352,145</u>

An analysis of changes in accumulated depreciation by asset classification for the year ended December 31, 2004 is as follows:

	Balance January 1, 2004	<u>Addition</u>	Balance December 31, 2004
Building & Equipment	\$16,086,610	52,102	\$16,138,712
Building Improvements	-	6,934	6,934
Office Equipment	2,143	1,428	3,571
	<u>16,088,753</u>	<u>60,464</u>	<u>16,149,217</u>

**Note 4- Operating Leases**

The NOBC leases certain office equipment under a five year operating lease. Lease expense for the year ended December 31, 2004 was \$2,993.

Future lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2005	\$ 3,590
2006	1,795
	<u>5,385</u>



## Supplementary Information

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - BUDGET**  
**AND ACTUAL GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Charges for Services	30,208	30,208	30,208	-
Rents	4,050,000	4,050,000	-	(4,050,000)
Other	70,000	70,000	25,830	(44,170)
Interest	1,000	1,000	1,704	704
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	<u>4,151,208</u>	<u>4,151,208</u>	<u>57,742</u>	<u>(4,093,466)</u>
				-
<b><u>Expenses</u></b>				
Contract Labor	90,000	90,000	86,500	3,500
Professional Services	140,000	140,000	23,641	116,359
Rental Expenses	3,870,023	3,870,023	-	3,870,023
Office Supplies and Expenses	34,050	34,050	10,798	23,252
Repairs & Maintenance	10,500	10,500	452	10,048
Depreciation	6,635	6,635	6,635	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>4,151,208</u>	<u>4,151,208</u>	<u>128,026</u>	<u>4,023,182</u>
Excess (deficiency) of				
Revenues over Expenditures	-	-	(70,284)	(70,284)
Fund Balance - Beginning	<u>93,123</u>	<u>93,123</u>	<u>93,123</u>	<u>-</u>
Fund Balance - Ending	<u>93,123</u>	<u>93,123</u>	<u>22,839</u>	<u>(70,284)</u>

Schedule 1



**CURTIS A. MORET**

CERTIFIED PUBLIC ACCOUNTANT

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## Independent Auditor's Report

To the Board of Directors  
of New Orleans Building Corporation  
New Orleans, Louisiana

We have audited the fund financial statements of New Orleans Building Corporation as of and for the year ended December 31, 2004, which collectively comprise the New Orleans Building Corporation's basic financial statements and have issued our report thereon dated June 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Orleans Building Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be a material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans Building Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

*Curtis A. Moret*

Curtis A. Moret  
Certified Public Accountant  
June 11, 2005

